WEEKLY ECONOMIC REVIEW

DECEMBER 16, 2005

The U.S. Federal Reserve Board increased interest rates on 13 December to 4.25 per cent, up 3.25 percentge points from June 2004. It appears that the Federal Reserve Board is nearing the end of its tightening cylce as it omitted the word "accomodative" from the policy statement. Still, the Federal Reserve Board is concernced with inflationary pressures stemming from higher capital utilization rates and tight labour markets. Most analysts expect the Fed to increase interest rates one more time and then keep the rate steady at 4.5 per cent unless economic growth accelerates.

U.S. consumer prices declined by 0.6 per cent in November, lowering the year-over-year increase to 3.5 per cent from 4.3 per cent in October. The decline was related to a 16 per cent fall in gasoline prices. The core price index rose by 0.2 per cent, holding the annual gain steady at 2.1 per cent.

U.S. industrial production rose by a larger than expected 0.7 per cent in November, following a gain of 1.3 per cent in October.

The U.S. trade deficit reached a record $68.9 billion in October, rising by 4.4 per cent from the previous month.

Cdn Dollar (C¢/US$)

Dec 16, 2005	86.5 ¢
Dec 09, 2005	86.4¢
2005-06 YTD	82.5¢

WTI Oil $US/bbl

Dec 15, 2005	$59.99
Dec 09, 2005	$60.66
2005-06 YTD	$58.87

Nymex Natural Gas C$/mcf*

January Contract

Dec 16, 2005	$15.64
Dec 09, 2005	$17.27

*Estimate based on Nymex Futures Market Price

In contrast, Canada's trade surplus was solid at $7.2 billion. Energy is now Canada's largest export sector, accounting for $9.2 billion of exports, surpassing the machinery and equipment ($7.9 billion) and automotive ($7.8 billion) sectors.

After setting a record earlier in the week, natural gas prices fell sharply in the later half of the week, despite a decline in storage levels. The decline was triggered on forecasts of weather turning normal and even above-normal temperatures by the end of the month. The price of crude oil declined amid sell off in natural gas and heating oil.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Manufacturing Shipments ($ millions)	**October**			
Alberta	5,055	0.7%	11.1%	12.0%
Canada	52,041	0.9%	3.4%	3.4%
Canadian International Trade ($ millions)	**October**			
Exports	40,197	1.0%	12.0%	4.3%
Imports	33,023	1.2%	7.0%	6.5%
Trade Balance	7,174	0.1%	43.3%	-7.5%
New Motor Vehicle Sales	**October**			
Alberta	18,177	-2.1%	6.5%	14.3%
Canada	131,455	3.3%	-1.6%	4.0%

Source: Statistics Canada

[1] *Year-to-date 2005 compared to the same time period in 2004. For example: January-October 2005 versus January-October 2004*